



DRAFT

ECONOMIC PROFILE: BAY AREA REGION



Prepared for the



OCTOBER 2008



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PREFACE

The California Economic Strategy Panel (Panel) continuously examines changes in the state's economic base and industry sectors to develop a statewide vision and strategic initiatives to guide public policy decisions for economic growth and competitiveness (see www.labor.ca.gov/panel/). The fifteen-member Panel is comprised of eight appointees by the Governor, two appointees each by the President pro Tempore and the Speaker and one each by the Senate and Assembly Minority Floor Leaders. The Secretary of the California Labor & Workforce Development Agency serves as the Chair.

The Panel first identified California's economy as an economy of regions in 1996. At that time, the Panel also adopted a new way of looking at industry sectors and how they function and grow as industry clusters. These new ways of looking at the economy became the basis for the analytical work completed then, and have provided a foundation for the Panel's work since that time.

The California Regional Economies Project is currently the lead research mechanism for the Panel to identify economic policy issues. The project provides the state's economic and workforce development systems with data and information about changing regional economies and labor markets. The information provides a new resource in economic and workforce development planning and investment decisions and a bridge connecting economic and workforce policies and programs at the state and regional levels.

In order to understand the state's economy and the changes taking place within industry sectors and industry clusters, it is important to recognize the regional nature of the economy and to analyze the economic base by region. To do this, the statewide and nine regional economic base reports analyze the patterns of employment, business establishments, wages, population, unemployment rate and other key factors.

This report presents an in-depth analysis of the Bay Area Region from 2001 to 2006, with snapshots of employment changes in 2007 and early 2008; however, this report does not cover the most recent, dynamic changes taking place in the economy, due to lag time in data availability at the detailed level used in our analyses. The most current monthly trends for California are available from the Labor Market Information Division of the Employment Development Department, at www.labormarketinfo.edd.ca.gov/?pageid=1003.

This profile provides updates to the Profile released in 2007, highlighting significant changes and key industry sectors and clusters in each region. This is briefer than past profiles and uses a different format, in an effort to make the information easier to read and faster to digest. The 2008 Profile also adds a new cluster, Housing, as we track activity in residential construction and related industries.

The statewide and eight other regional economic base reports are also available at www.labor.ca.gov/panel/. Previous economic base reports examined the 1990-2002, 2001-2004 and 2001-2005 periods. The earlier reports were the first economic base reports for the regional economies as they are defined today. The Panel's initial work, from 1994-1996, resulted in identification of six regions and provided regional economic base analyses; however, those regions were significantly redefined by 1998 into nine regions, making comparisons to the early analyses impractical.

The source of the data used for these reports is the official employment and wage information reported by employers to the State. While a variety of other sources provide similar information, they may not capture the official numbers that employers report, or may not include input from all employers. This data source is the most comprehensive and accurate source of information direct from employers, and is therefore the best to use for public policy-making, planning and program administration.

The Panel has taken steps to institutionalize the analysis and preparation of these economic base reports within State government so that this analysis may be provided on a yearly basis. Also, steps have been taken to leverage the body of knowledge that now exists around the study of industry clusters, gained through the California Regional Economies Project.

First, a non-confidential version of the data series, the *California Regional Economies Employment Series*, has been made available online by the California Employment Development Department's Labor Market Information Division (LMID) so that regional organizations may access this data at the county level. Second, a step-by-step guide, the *Industry Clusters of Opportunity User Guide*, is available online so that regional organizations can conduct industry cluster studies and work with business and industry to test and apply the findings.

With this information, regional organizations may conduct their own economic base and industry cluster analyses down to the county level, and they may combine county data to create their own sub-regional study areas. Training workshops are being held to teach the methodology and processes outlined in the *Industry Clusters of Opportunity User Guide* to representatives from Local Workforce Investment Boards, economic development organizations, the Employment Training Panel, LMID, educational institutions and programs including Community Colleges and Regional Occupational Programs, and other local jurisdictions.

The statewide and regional economic profiles, the *Industry Clusters of Opportunity User Guide* and other studies are available on the Panel's website at www.labor.ca.gov/panel/espcrep.htm.

The *California Regional Economies Employment Series* is available online at www.labormarketinfo.edd.ca.gov/?pageid=173.

The California Regional Economies Project is sponsored by the California Labor & Workforce Development Agency, California Employment Development Department, California Workforce Investment Board and the California Community Colleges Chancellor's Office.

BAY AREA REGION

ECONOMIC PROFILE

October 2008

California



THE BAY AREA REGION includes eleven counties, as defined by the California Economic Strategy Panel (Panel): Alameda, Contra Costa, Marin, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

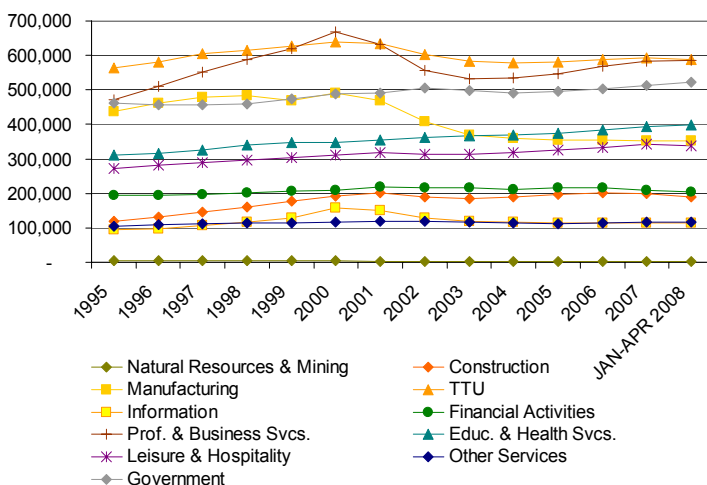
The Bay Area Region is the state's second largest region, with 19.8% of its population and 22.0% of its jobs (2006). The region was the hardest hit by the 2001 recession, and is still regaining those jobs lost while experiencing the impact of the housing downturn. Within the region's eleven counties, the preliminary unemployment rate for August 2008 ranged from 4.9% in Marin County to 7.9% in San Benito County. Still, the region has reported job growth since 2005, and its Gross Domestic Product (GDP) increased from 2001 to 2006, up 33.4%.

Overall, the region's greatest job losses occurred from 2001 to 2002, losing 4.9% of its jobs. Manufacturing reported the greatest number of jobs lost that year, followed by Professional, Scientific & Technical Services and Information. This was followed by losses again in 2003 (down 3.0%) and in 2004 (down 0.5%). Then, starting in 2005, employment began to grow, up 0.7% in 2005 and another 1.9% in 2006. Professional, Scientific & Technical Services led job growth both years.

The Current Employment Statistics (CES) program data, which excludes Farm and Private Households employment data, shows growth in Nonfarm employment in 2007, and positive year-over change from April 2007 to April 2008.

Using the CES data, the following graph shows Nonfarm employment since 1995:

NONFARM EMPLOYMENT 1995-2008¹



A SNAPSHOT OF 2007 & 2008

This snapshot uses employment estimates from the Current Employment Statistics (CES) program, which is the most current data available. The CES program is a different data source than that used for the rest of the report, and is available only at the super-sector level. We recognize that this does not capture the current capital and credit crisis that we are experiencing.

For the Bay Area Region, a look at 2007 and early 2008 Nonfarm employment data shows that the region continued to recover jobs lost during and after the 2001 recession. Overall, Nonfarm employment grew by 2.0% from 2006 to 2007, and growth was positive for most sectors when comparing April 2007 to April 2008.

From 2006 to 2007, the strongest growth was reported by Other Services (this does not include Private Households), up 13.4%, followed by Educational & Health Services, up 5.4%, and Natural Resources & Mining (not including Farm jobs), up 5.1%. Other growing super-sectors included Professional & Business Services; Leisure & Hospitality; Government; and, Trade, Transportation & Utilities. Only four super sectors reported losses from 2006 to 2007; Financial Activities, Manufacturing, Construction and Information. Of these, Manufacturing and Information show positive year-over change from April 2007 to April 2008.

The following table summarizes private sector Nonfarm employment change from 2001 to 2007, and into early 2008. The employment shown here does not include employment for Agriculture or Private Households, as the CES data does not capture these industries.

BAY AREA	2001-2006*	2006-2007	Apr07-Apr08
Total Nonfarm	-6.9%	2.0%	0.8%
Natural Resources & Mining	-41.2%	5.1%	8.7%
Construction	1.2%	-0.6%	-3.1%
Manufacturing	-23.3%	-2.3%	0.8%
Trade, Transportation, & Utilities	-7.5%	1.7%	0.2%
Information	-24.7%	-0.1%	1.2%
Financial Activities	0.1%	-3.4%	-3.6%
Professional & Business Svcs	-10.4%	3.3%	1.9%
Educational & Health Services	6.7%	5.4%	1.8%
Leisure & Hospitality	4.7%	2.8%	1.2%
Other Services	-24.6%	13.4%	2.2%
Government	1.1%	2.8%	2.2%

** The 2001 through 2006 data uses the California Regional Economies Employment Series (CREE) data source; this is generally the source of data for all employment analyses in this report, unless otherwise indicated.*

¹ The January to April 2008 data represents a four-month average.

BAY AREA REGION

IN RECENT YEARS 2001-2006

The rest of this report covers the period from 2001 through 2006, providing a picture of what was happening prior to, and at the start of the recent housing downturn. The data source is the Quarterly Census of Employment and Wages (QCEW) program, which releases the final annualized data about ten months after the end of each calendar year. The 2006 data was the most current available at the time of this report.

The QCEW data is available at the most detailed industry level², allowing an in-depth look at the industries and industry clusters during this time period. The CES data used for 2007 and 2008 was available at the super-sector level and excluded employment for the Farm and Private Households industries.

The following statistics are reported for the period of 2001 to 2006 in order to provide comparable facts for a more complete picture of the region during this period.

BUSINESS

Job Growth (2001-2006)	-5.8%
Establishment Growth (2001-2006)	10.6%
GDP Growth ³ (2001-2006)	33.4%
Average Wage (2006, Private Industry)	\$ 63,182
Wage Growth (2001-2006)	15.3%
Firms with < 100 employees (2006)	98.2%
Firms with < 50 employees (2006)	95.7%
Self-employed, not incorporated (2006*)	9.4%

* Data for San Benito County was not available.

WORKFORCE

Unemployment Rate (2006)	4.5%
Population Growth (2001-2006)	0.2%
Per Capita Income (2006)	\$ 54,234
Bachelor's Degree or higher (2006)	
-Of population age 25 and older	22.5% to 52.2%
Families Living in Poverty (2006)*	6.5%

* Data for San Benito County was not available.

QUALITY OF PLACE

Air Quality Index (2006 Median AQI ⁴)	25 to 39
Average Commute Time (2006)	23.7 to 31.9 min.
Housing Opportunity Index ⁵ (2006)*	4.9% to 20.4%

* Data not available for one or more counties.

NOTE: Ranges provided where data are only available by county or Metropolitan Statistical Area and a regional value cannot be calculated.

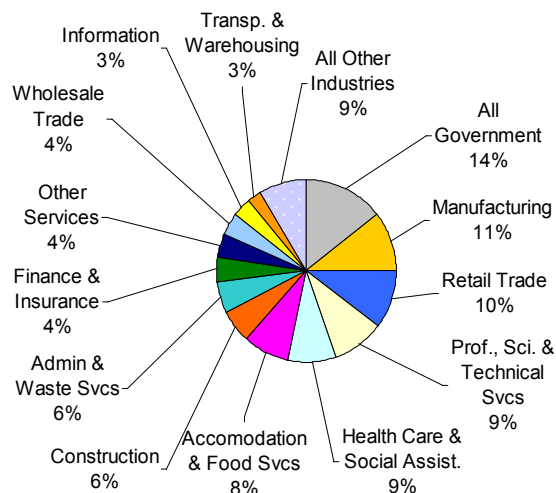
² The North American Industry Classification System (NAICS), 6-digit level.

³ GDP = Gross Domestic Product; the data is available by MSA, which is used to approximate the regional GDP, where available.

⁴ An AQI value of 50 or lower is Good; 51-100 is Moderate; 101-150 is Unhealthy for Sensitive Groups; and 151 or higher is Unhealthy (includes *unhealthy*, *very unhealthy*, and *hazardous*).

⁵ Percentage of homes in the area that would be affordable to a family making the median income.

INDUSTRY COMPOSITION 2006



REGIONAL JOB GROWTH RANKING (2001-2006)

1. San Joaquin Valley Region	9.9%
2. Greater Sacramento Region	9.4%
3. Southern Border Region	7.7%
4. Southern California Region	6.5%
5. No. Sacramento Valley Region	6.4%
<i>California as-a-whole</i>	<i>6.1%</i>
6. Central Sierra Region	5.9%
7. Central Coast Region	3.6%
8. Northern California Region	1.3%
9. Bay Area Region	-5.8%

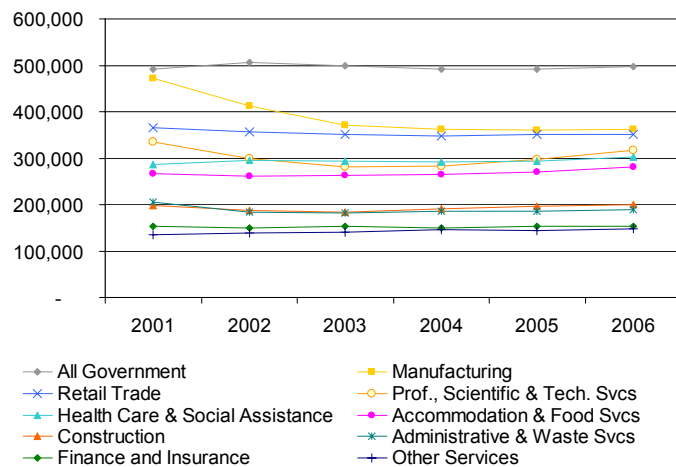
JOB GROWTH IN THE MAJOR INDUSTRY SECTORS 2001-2006 (NAICS 2-DIGIT) (TEN LARGEST IN BOLD)

Agriculture, Forestry, Fishing & Hunting (NAICS 11)	-17.1%
Mining (NAICS 21)	-41.6%
Utilities (NAICS 22)	-17.6%
Construction (NAICS 23)	1.2%
Manufacturing (NAICS 31-33)	-23.3%
Wholesale Trade (NAICS 42)	-7.9%
Retail Trade (NAICS 44-45)	-3.8%
Transportation & Warehousing (NAICS 48-49)	-18.1%
Information (NAICS 51)	-24.7%
Finance & Insurance (NAICS 52)	1.0%
Real Estate & Rental & Leasing	-1.8%
Prof., Scientific & Technical Services (NAICS 54)	-5.6%
Mngmt of Companies & Enterprises (NAICS 55)	-34.9%
Administrative & Waste Services (NAICS 56)	-7.5%
Educational Services (NAICS 61)	12.9%
Health Care & Social Assistance (NAICS 62)	5.4%
Arts, Entertainment & Recreation (NAICS 71)	3.5%
Accommodation & Food Services (NAICS 72)	4.9%
Other Services (except Public Admin) (NAICS 81)	8.6%
All Government⁶	1.1%

⁶ All Government represents Federal, State and Local Government, and includes a wide range of jobs, from firefighting, police, education and defense, to public services and elected officials.

BAY AREA REGION

JOB GROWTH FOR THE TEN LARGEST SECTORS 2001-2006



“TOP FIVE” SUB-SECTORS

TOP FIVE LARGEST SUB-SECTORS (2006)

Professional, Scientific & Technical Services (NAICS 541)
 Food Services & Drinking Places (NAICS 722)
 Administrative & Support Services (NAICS 561)
 Computer & Electronic Product Mfg (NAICS 334)
 Specialty Trade Contractors (NAICS 238)

TOP FIVE FASTEST GROWING SUB-SECTORS ('01-'06) (With at least 0.005% of total employment)

Rail Transportation (NAICS 482)
 Monetary Authorities - Central Bank (NAICS 521)
 Postal Service (NAICS 491)
 Other Information Services (NAICS 519)
 Private Households (NAICS 814)

TOP FIVE COMPETITIVE ADVANTAGE (LQ*) SUB-SECTORS (2006) (With at least 0.005% of total employment)

Internet & Data Processing Services (NAICS 518), 2.4 LQ
 Petroleum & Coal Products Mfg (NAICS 324), 2.3 LQ
 Computer & Electronic Product Mfg (NAICS 334), 2.1 LQ
 Beverage Mfg (NAICS 312), 2.0 LQ
 Air Transportation (NAICS 481), 1.8 LQ

* Location Quotient (LQ) greater than 1.0 means a higher concentration of these jobs in the region than found statewide.

TOP FIVE SUB-SECTORS WITH HIGHEST AVERAGE WAGE (2006)

Securities & Other Investments & Services (NAICS 523)
 Lessors of Nonfinancial Intangible Assets (NAICS 533)
 Internet & Data Processing Services (NAICS 518)
 Oil & Gas Extraction (NAICS 211)
 Funds, Trusts & Other Financial Vehicles (NAICS 525)

The average annual wages range from \$155K to \$248K.

AT THE MOST DETAILED INDUSTRY LEVEL (NAICS 6-DIGIT)

The following observations reflect what took place from 2001 to 2006 at the most detailed industry level, and may provide some insight into the economy during that period.

Change can take place quickly at this most detailed level; therefore, it is important not to base policy or program administration decisions solely on such information.

The ten largest industries based on employment size:

Full-Service Restaurants (NAICS 722110)
 General Medical & Surgical Hospitals (NAICS 622110)
 Limited-Service Restaurants (NAICS 722211)
 Supermarkets & Other Grocery Stores (NAICS 445110)
 Temporary Help Services (NAICS 561320)
 Corp., Subsidiary & Regional Managing Ofcs (NAICS 551114)
 Custom Computer Programming Services (NAICS 541511)
 Hotels & Motels (NAICS 721110)
 Private Households (NAICS 814110)
 R&D in Physical, Engineering & Life Sciences (NAICS 541710)

The ten fastest growing (with at least 0.005% of total employment):

Heavy Duty Truck Mfg (NAICS 336120)
 Truck Trailer Mfg (NAICS 336212)
 Fats & Oils Refining & Blending (NAICS 311225)
 Monetary Authorities - Central Bank (NAICS 521110)
 Nonwoven Fabric Mills (NAICS 313230)
 Cane Sugar Refining (NAICS 311312)
 Breakfast Cereal Mfg (NAICS 311230)
 Postal Service (NAICS 491110)
 Other Communication & Energy Wire Mfg (NAICS 335929)
 HMO Medical Centers (NAICS 621491)

The ten with the strongest competitive advantage:

Semiconductor Machinery Mfg (NAICS 333295)
 Electronic Computer Mfg (NAICS 334111)
 Electron Tube Mfg (NAICS 334411)
 Telephone Apparatus Mfg (NAICS 334210)
 Lab Apparatus & Furniture Mfg (NAICS 339111)
 Computer Storage Device Mfg (NAICS 334112)
 Fiber Optic Cable Mfg (NAICS 335921)
 Instrument Mfg for Measuring & Testing Electr. (NAICS 334515)
 Analytical Lab Instrument Mfg (NAICS 334516)
 Optical Instrument & Lens Mfg (NAICS 333314)

BAY AREA REGION

AT THE MOST DETAILED INDUSTRY LEVEL

(Continued)

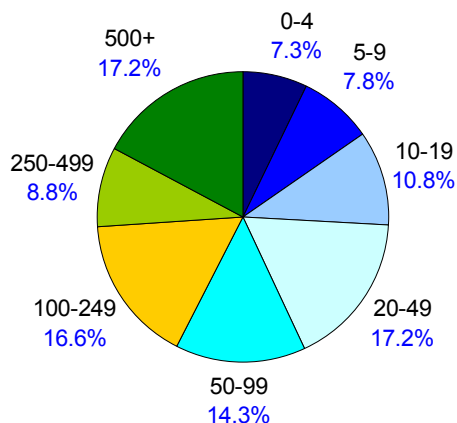
The ten highest paying industries:

Trust, Fiduciary & Custody Activities (NAICS 523991), \$393K
 Portfolio Management (NAICS 523920), \$340.1K
 Web Search Portals (NAICS 518112), \$310K
 Miscellaneous Intermediation (NAICS 523910), \$294.4K
 Investment Banking & Securities (NAICS 523110), \$283.4K
 Sports Teams & Clubs (NAICS 711211), \$255.2K
 Motion Picture & Video Production (NAICS 512110), \$234.5K
 Real Estate Investment Trusts (NAICS 525930), \$231.4K
 Open-End Investment Funds (NAICS 525910), \$226.4K
 Lessors of Nonfinancl. Intangible Assets (NAICS 533110), \$205.5K

EMPLOYMENT & BUSINESS GROWTH BY SIZE OF FIRM (PRIVATE INDUSTRY)

In 2006, firms with fewer than 100 employees made up 98.2% of all businesses in the region and provided 57.4% of all jobs in the region. Firms with 500 or more employees made up 0.2% of all businesses, and provided 17.2% of all jobs.

DISTRIBUTION OF JOBS BY SIZE OF FIRM (2006)



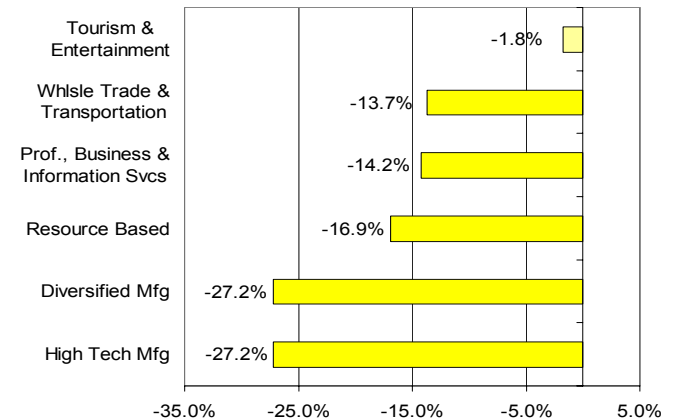
BUSINESS GROWTH BY SIZE OF FIRM (2001-2006)

Number of Employees	Growth of Jobs	Growth of Firms
0-4	11.3%	16.6%
5-9	2.3%	2.4%
10-19	0.5%	0.5%
20-49	-4.2%	-3.7%
50-99	-6.8%	-6.1%
100-249	-7.2%	-8.1%
250-499	-10.1%	-9.3%
500-999	-15.6%	-18.1%
1,000+	-8.1%	-5.2%

THE TRADITIONAL ECONOMIC BASE

The economic base is traditionally considered to be export-oriented industries in the study area - industries that sell a large portion of their goods or services to people and businesses in markets outside of the area. The Panel's expanded definition of the economic base includes other industries that are also important to the region. Information follows on those industries and industry clusters.

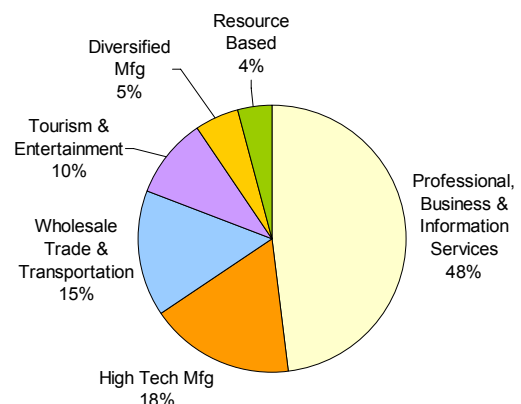
EMPLOYMENT GROWTH 2001-2006



In 2006, the region's traditional economic base provided 28.4% of all jobs in the region. All economic base sectors reported losses from 2001 to 2006. The greatest percentage of job loss was reported by the Diversified and High Tech Manufacturing industries, each down 27.2%, while the greatest number of jobs lost was reported by Professional, Business & Information Services, down almost 77,600 jobs.

Still, a few industries within these sectors reported job growth during this period. Of these, those with the most jobs gained were Management, Scientific, & Technical Consulting Services, up almost 9,300 jobs; and, Wholesale Electronic Markets & Agents & Brokers, up over 2,400 jobs.

DISTRIBUTION OF TRADITIONAL BASE JOBS (2006)



KEY INDUSTRY SECTORS AND CLUSTERS IN THE EXPANDED ECONOMIC BASE

MANUFACTURING

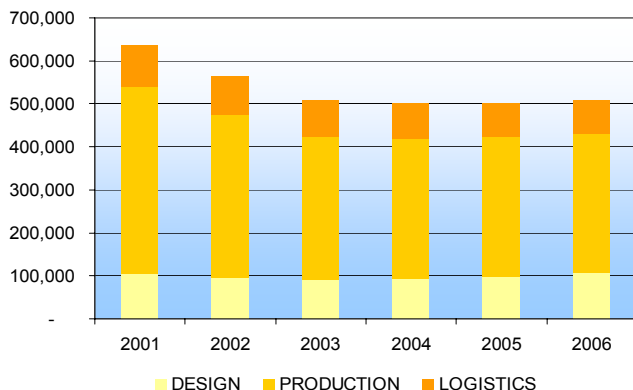
The Manufacturing sector provided 10.6% of the region's jobs in 2006. The sector reported overall job losses of 23.6% from 2001 to 2006, down 109,900 jobs. At the same time, the region's manufacturing GDP increased 5.9%. Data for 2007 suggests continued job losses from 2006 to 2007, while the year-over change for the month of April (2007 to 2008) shows a slight gain.

While Manufacturing as a whole suffered significant losses from 2001 to 2006, some of its industries reported growth. At the most detailed industry classification level (the 6-digit NAICS level), the ten fastest growing manufacturing industries included Heavy Duty Truck Manufacturing (Mfg); Truck Trailer Mfg; Fats & Oils Refining & Blending; Nonwoven Fabric Mills; Cane Sugar Refining; Breakfast Cereal Mfg; Other Communication & Energy Wire Mfg; Synthetic Rubber Mfg; Copper Wire Drawing; and, Laboratory Apparatus & Furniture Mfg.

The largest industries (at the 6-digit NAICS level) included Semiconductor & Related Device Mfg; Electronic Computer Manufacturing; Wineries; Pharmaceutical Preparation Mfg; Instrument Mfg for Measuring & Testing Electricity & Electronics; Bare Printed Circuit Board Mfg; Machine Shops; Surgical & Medical Instrument Mfg; Other Electronic Component Mfg; and, Semiconductor Machinery Mfg.

Looking at the Manufacturing Value Chain industry cluster, both Production and Logistics reported losses from 2001 to 2006. Production lost 25.6% of its jobs, down 111,300 jobs, and Logistics lost 19.0%, down 18,500 jobs. At the same time, Design reported job growth of 1.7%, up 1,800 jobs.

Manufacturing Value Chain employment 2001-2006:

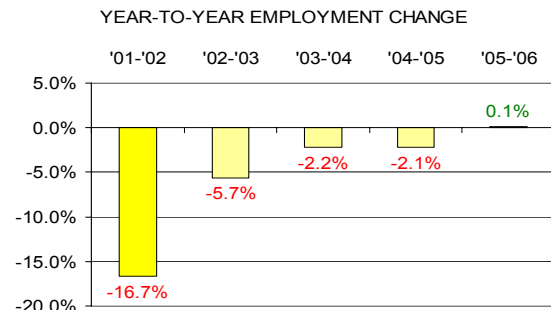


Some manufacturing jobs will not be reflected in this data, as manufacturing firms are using Employment Services, including temporary employment services, for hiring some of their workers. Those workers would be reported as part of the Employment Services industries' employment. This practice is also used by other industries.

INFORMATION

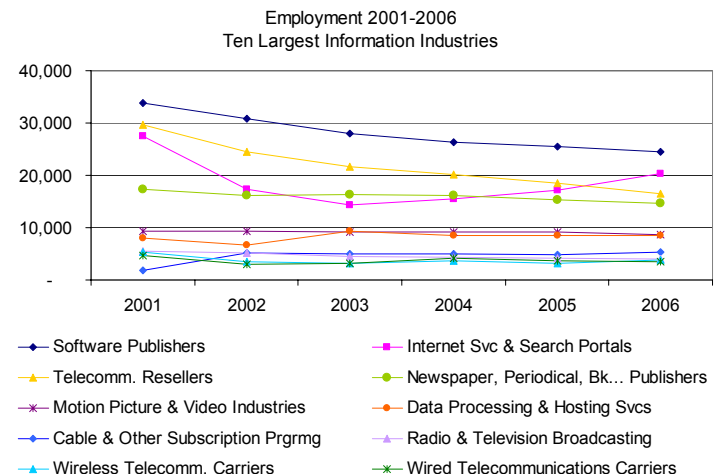
The Information sector provided 3.3% of all jobs in the region in 2006. The region had a higher concentration of jobs in this sector than found statewide. At the industry group level (4-digit NAICS), the highest concentrations were found in Internet Service Providers & Web Search Portals (2.7 LQ); Software Publishers (2.7 LQ); and, Data Processing, Hosting & Related Services (1.9 LQ).

Overall, the sector experienced job losses from 2001 to 2006, down over 37,500 jobs or 24.8%. This was one of the sectors hardest hit during the recession in 2001. Jobs declined sharply from 2001 to 2002, down 16.7% in that one year alone. Jobs continued to decline through 2005, with very slight growth in 2006. Preliminary data suggests slight losses from 2006 to 2007, while the year-over change for the month of April (2007 to 2008) shows a slight gain.



Most industries within the sector reported overall job losses from 2001 to 2006, led by Telecommunications Resellers, down over 13,100 jobs. Next, Software Publishers lost over 9,200 jobs, and Internet Service Providers & Web Search Portals lost almost 7,300 jobs. The greatest percentage of losses was reported by Sound Recording Industries, down 71.4%.

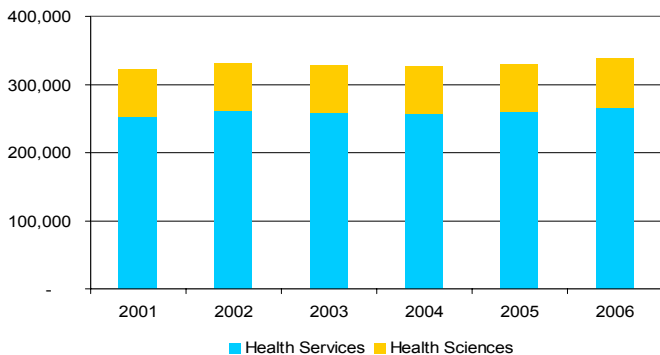
At the same time, three industries reported job growth. The greatest number and percentage of job growth was reported by Cable & Other Subscription Programming, up 3,500 jobs or 187.5%. The others reporting growth were Data Processing, Hosting & Related Services (up almost 600 jobs); and, Other Information Services (up over 300 jobs).



BAY AREA REGION

HEALTH SCIENCES & SERVICES

The Health Sciences & Services industry cluster provided 9.9% of all jobs in the region in 2006. From 2001 to 2006, the cluster grew by 5.3%, or almost 17,100 jobs. The region had a higher concentration of Health Sciences & Services jobs (1.1 LQ) than found at the statewide level (1.0 LQ).



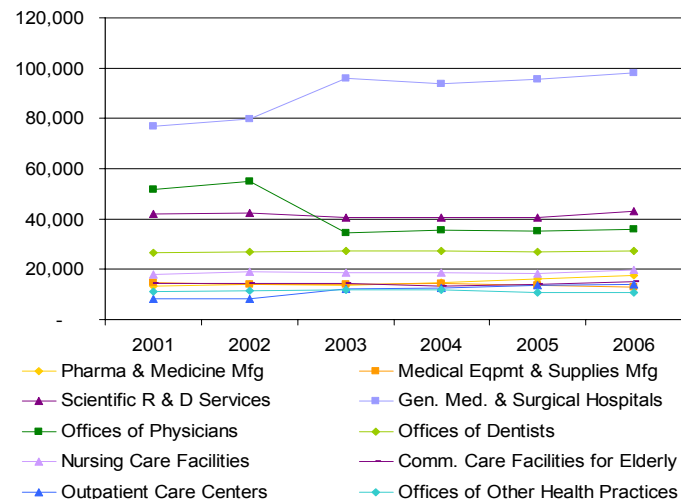
Health Sciences

Health Sciences experienced job growth of 4.4% from 2001 to 2006, up over 3,100 jobs. Within Health Sciences, Pharmaceutical & Medicine Manufacturing grew by 30.0%. Scientific Research & Development also reported growth during this period, up 2.2%, while Medical Equipment & Supplies Manufacturing reported losses of 12.6%.

Health Services

Health Services, which includes the health care industries, experienced job growth of 5.5%, up over 13,900 jobs from 2001 to 2006. Within Health Services, Outpatient Care Centers reported the greatest percentage of growth, up 72.0%, and General Medical & Surgical Hospitals added the most jobs, up 21,200 jobs. At the same time, Offices of Physicians reported the greatest number and percentage of jobs lost, down over 15,800 jobs, or 30.6%.

The following graph shows employment change for the three Health Sciences industries and the top seven Health Services industries (based on 2006 employment).



PROFESSIONAL, SCIENTIFIC & TECHNICAL SERVICES

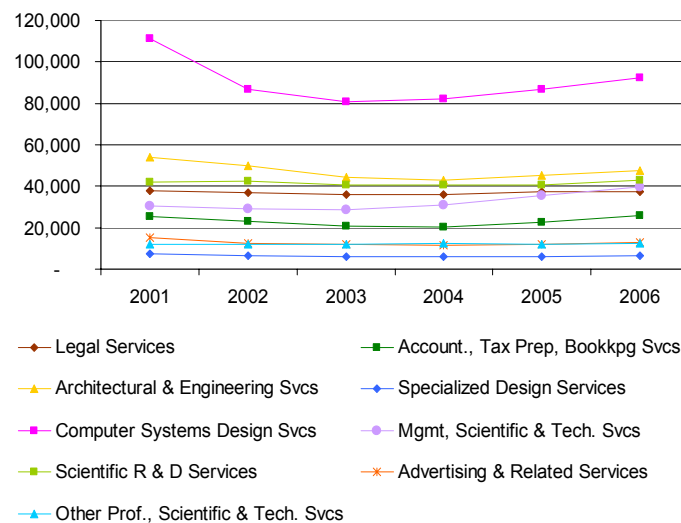
The Professional, Scientific & Technical Services sector provided 9.3% of the region's jobs in 2006. The sector reported overall job losses of 11.3%, or about 19,000 jobs, from 2001 to 2006. Jobs declined from 2001 through 2004, then began to grow in 2005 and 2006.

The region had a higher concentration of Professional, Scientific & Technical Services jobs (1.4 LQ) than found statewide. Within the sector, at the industry group level, Computer Systems Design & Related Services had the highest concentration (2.3 LQ).

Some industries within the sector reported job growth during this period. Management, Scientific, & Technical Consulting Services reported the greatest number and percentage of job growth, up almost 9,300 jobs or 30.3%.

The other growing industries included Scientific Research & Development Services (up over 900 jobs); Accounting, Tax Preparation, Bookkeeping & Payroll Services (up 500 jobs); and, Other Professional, Scientific & Technical Services (up 300 jobs).

The following graph shows employment change from 2001 to 2006 for all industry groups in the sector.



Computer Systems Design & Related Services experienced the greatest number and percentage of jobs lost from 2001 to 2006, down almost 19,000 jobs or 17.1%.

Other industries reporting losses included Architectural & Engineering Services (down almost 6,700 jobs); Advertising Services (down 2,600 jobs); Specialized Design Services (down 1,100 jobs); and, Legal Services (down almost 600 jobs).

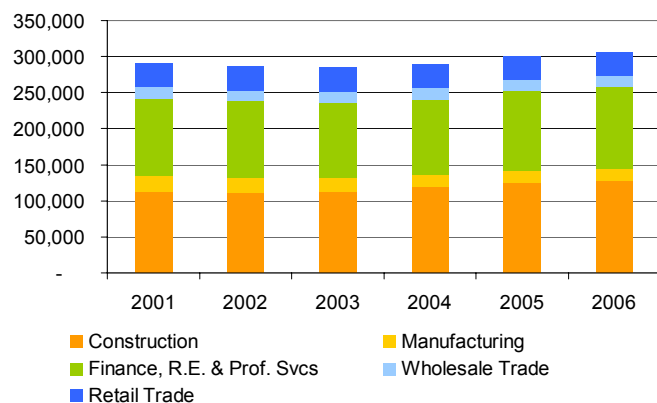
HOUSING

For the purpose of this analysis, the Housing cluster (Housing) includes industries involved in residential construction; manufacturing of construction materials; real estate financing, sales, leasing and management⁷; and, related wholesale and retail trade. As defined, this cluster provided 8.9% of the region's jobs in 2006, with almost 306,400 jobs.

Overall, Housing experienced job growth of 5.5% from 2001 to 2006. Within the cluster, Construction grew by 12.1%, or 13,700 jobs; Manufacturing reported losses of 18.3% (down over 3,900 jobs); Finance, Real Estate & Professional Services reported 5.2% growth (up over 5,600 jobs); Wholesale Trade grew by 4.9% (up almost 800 jobs); and, Retail Trade reported slight losses of 0.7% (down over 200 jobs).

Year-over Change	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Housing-related Construction	-1.0%	0.9%	5.0%	4.8%	1.9%
Housing-related Manufacturing	-9.9%	-5.0%	-1.0%	-0.7%	-2.8%
Finance, RE & Prof. Svcs	-0.7%	-1.4%	-1.1%	5.8%	2.7%
Housing-related Wholesale Trade	-3.5%	1.4%	0.2%	6.3%	0.8%
Housing-related Retail Trade	4.3%	-0.7%	-4.2%	1.4%	-1.4%
Housing Cluster	-1.0%	-0.5%	1.0%	4.5%	1.5%

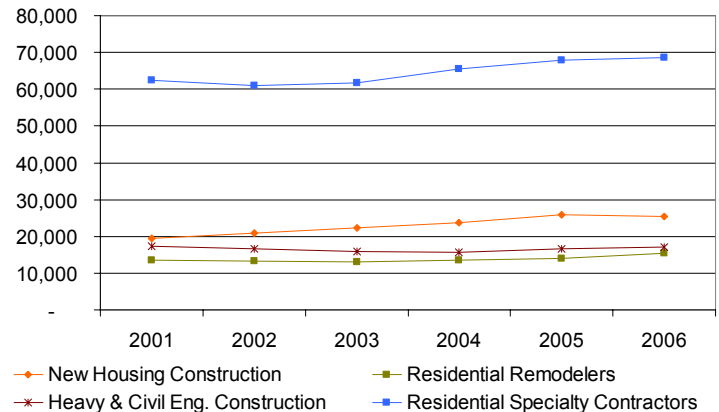
Employment change from 2001 to 2006 for the Housing cluster components:



Construction

Within Construction, New Housing Construction grew by 30.5% from 2001 to 2006, up almost 6,000 jobs; Residential Remodelers grew by 13.0%; Housing-related Heavy & Civil Engineering Construction reported slight losses of 1.0%; and, Residential Specialty Trade Contractors reported growth of 9.9%.

Housing Construction employment 2001 to 2006:



Manufacturing of Construction Materials

Housing-related Manufacturing industries reported overall job losses of 18.3% from 2001 to 2006. Losses were led by All Other Plastics Product Manufacturing (Mfg), down over 2,000 jobs. Three industries reported 100.0% losses, including Plastics Pipe & Pipe Fitting Mfg, Copper Rolling, Drawing & Extruding, and Household Laundry Equipment Mfg. At the same time, some industries reported growth, with Copper Wire Drawing reporting the greatest number and percentage of jobs gained, up 513.8% (350 jobs).

Employment change from 2001 to 2006 for the ten largest Housing-related Manufacturing industries:

NAICS	Industry	Change '01-'06
326199	All Other Plastics Product Mfg	-44.2%
327390	Other Concrete Product Mfg	12.6%
327320	Ready-Mix Concrete Mfg	-10.1%
332321	Metal Window & Door Mfg	-1.4%
331221	Rolled Steel Shape Mfg	-14.8%
332323	Ornamental & Architect. Metal Mfg	-30.3%
325510	Paint and Coating Mfg	3.7%
321911	Wood Window & Door Mfg	-15.2%
327211	Flat Glass Mfg	161.2%
327331	Concrete Block & Brick Mfg	76.7%

Finance & Insurance, Real Estate and Professional Services

Together, the Finance & Insurance, Real Estate and Professional Services industries related to Housing reported job growth of 18.2% from 2001 to 2006, although growth fluctuated year to year.

	'01-'02	'02-'03	'03-'04	'04-'05	'05-'06
Year-over Change	-0.7%	-1.4%	-1.1%	5.8%	2.7%

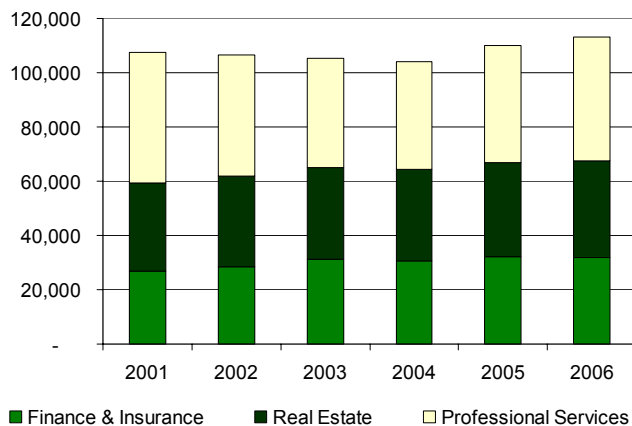
⁷A detailed definition by NAICS code is provided online at www.labor.ca.gov/panel in the document, "About the 2008 Economic Updates."

BAY AREA REGION

HOUSING

(Continued)

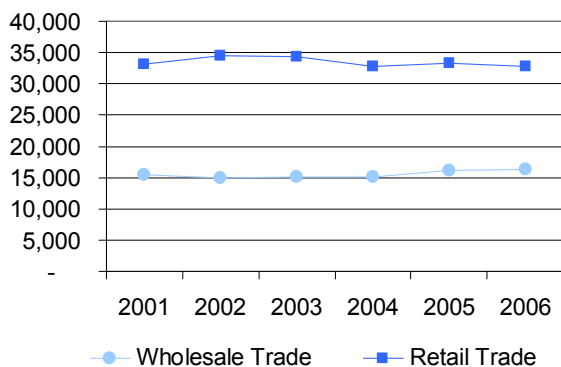
The following graph shows employment change from 2001 to 2006 for each component:



Within these sectors, the largest industry was Engineering Services, with almost 28,900 jobs in 2006; however, this industry reported the greatest losses, down 2,900 jobs during this period. From 2001 to 2006, Offices of Real Estate Agents & Brokers added the most jobs, up almost 3,200 jobs, and Monetary Authorities - Central Bank reported the fastest growth, up 1673.6%, although a small industry with only about 100 jobs.

Wholesale & Retail Trade

Overall, the Housing-related Wholesale Trade industries experienced job growth of 4.9% from 2001 to 2006, up almost 800 jobs. The largest industry was Electrical Apparatus, Equipment & Supplies Wholesalers, with 3,800 jobs. Lumber, Plywood, Millwork & Wood Panel Wholesalers added the most jobs, up almost 1,000 jobs, and Electrical Appliance, Television & Radio Set Wholesalers reported the fastest growth, up 70.6%.



Overall, the Housing-related Retail Trade industries experienced job losses of 0.7% from 2001 to 2006, down over 200 jobs. The largest industry was Home Centers, with almost 14,600 jobs. This industry added the most jobs from 2001 to 2006, up almost 2,000 jobs, while Household Appliance Stores reported losses of 1,800 jobs.

ENERGY

Energy production and usage, specifically focusing on environmentally responsible green technologies and processes, are important issues facing policy-makers, energy producers, distributors and consumers. A number of studies and discussions about the green economy were underway at the time of this report, including a study commissioned by the Economic Strategy Panel; therefore, this report does not attempt to define and analyze the green economy. Instead, readers interested in this subject are encouraged to read the study commissioned by the Panel, *Clean Technology and the Green Economy: Growing Products, Services, Businesses and Jobs in California's Value Network*, available online at www.labor.ca.gov/panel/espcrep.htm. The March 2008 draft was available at the time of this report.

"Nationally and globally, attentions are focusing on rising energy costs, questions of national energy security, worry over environmental and related societal threats as well as fears of economic slow-down. These seemingly countervailing crises might suggest that a choice must be made between doing what is good for the environment OR doing what is good for the economy."

California's green economy demonstrates that this is not the case. California's green economy is not about a handful of new industries struggling in under-developed markets. Instead, it is about the potential of new technologies combined with innovative public policy and strategic investment to stimulate the growth of new markets for environmentally sound products and services while also reinvigorating slowing markets through the widening application of new technologies across the entire economy."

"As green products and practices permeate the reaches of the economy, the discussion is no longer about the emergence of a new industry; instead it is about the transformation of the entire economy. This transformation is toward an economy that makes more efficient and sustainable use of our limited natural resources."

— Clean Technology and the Green Economy: Growing Products, Services, Businesses and Jobs in California's Value Network, March 2008

Readers may also want to explore the web page, *Understanding the "Green" Economy*, at www.labormarketinfo.edd.ca.gov/?pageid=1032, created by the Labor Market Information Division of the Employment Development Department. This web page provides links to a broad array of studies and activities regarding the green economy, conducted by public and private entities.

BAY AREA REGION

SOURCES

BUSINESS

Employment, Firm & Wage Data, Private Sector	California Regional Economies Employment Series (CREE)*
Employment Data, Government Sector	Current Employment Statistics (CES)
2007 & 2008 Employment Data	Current Employment Statistics (CES)
Size of Firm Data	EDD/Labor Market Information Division (LMID), Size of Firm Data
Self-employed (non-incorporated business)	US Census/America's Community Survey (ACS)
Gross Domestic Product (GDP)	US Bureau of Economic Analysis (BEA)

* The CREE data used for the analyses included confidential data; however, the results presented in the economic profiles do not disclose confidential data.

WORKFORCE

Unemployment Rate	California Employment Development Department (EDD)
Population Growth	US Bureau of Economic Analysis (BEA)
Educational Attainment	US Census/ACS
Median Household Income	US Census/ACS
Families Living in Poverty	US Census/ACS

QUALITY OF PLACE

Air Quality Index (AQI)	Environmental Protection Agency, AirData
Average Commute Time	US Census/ACS
Housing Opportunity Index	National Assoc. of Home Builders- Wells Fargo Housing Opportunity Index

METHODOLOGY

In order to understand the state's economy and the changes taking place within industry sectors and industry clusters, it is important to recognize the regional nature of the economy and to analyze the economic base by region. To do this, the statewide and nine regional economic profiles analyze the patterns of employment, business establishments, wages, population, unemployment rate and other key factors. The statewide and nine regional economic profiles are available at www.labor.ca.gov/panel in the document. Also online, the document, [The 2008 California Economic Profiles - Introduction & Methodology](#), provides additional information about the methodology and documentation of the NAICS definitions for the industry clusters and traditional economic base industries.

DEFINITION OF AN INDUSTRY CLUSTER

An industry sector is a group of firms that are doing the same type of work, making the same type of products, or providing the same types of services. Examples include manufacturing, construction, retail trade and health care. An industry cluster is a group of interdependent industry sectors characterized by competing firms and buyer-supplier relationships, as well as shared labor pools and other specialized infrastructure. They are also geographically concentrated. When identifying "industry clusters of opportunity," the Panel adds additional considerations that focus on employment opportunities for regional residents.

ABOUT THE PANEL

The California Economic Strategy Panel was established in 1993 to develop an overall economic vision and strategy to guide public policy. The Panel engages in an objective and collaborative planning process that examines economic regions, industry clusters, and cross-regional economic issues. The California Regional Economies Project is currently the lead mechanism for these efforts.

The California Regional Economies Project offers new insight into the dynamics of California's economy. The regional perspective provides a better understand how the economy is changing, where the changes are concentrated, and what catalysts and conditions are causing those changes. It also shows how change in one region affects other regions and the state as a whole.

For more information and publications, go to the Panel's website at www.labor.ca.gov/panel/.

